



Compliance with the Article 173 of the French Energy Transition Law

Procedures for the inclusion of environmental, social and governance indicators

Complying with Article 173 of the French Energy Transition Law is a priority of PAI Partners' ESG Team. An action plan is currently being deployed to formalize our approach in this area in the wake of a new ESG governance.

Cornelia Gomez has been appointed as the head of PAI Partners' ESG department in September 2017. She is assisted by Thomas Carlier, Analyst, and supervised by Ivan Massonnat, Partner.

In May 2018 PAI published on its website, an ESG review called "Impact" describing PAI Partners' ESG approach and actions. A review dedicated to the COP21 and Carbon footprint commitments called "The PAI Carbon project" have been published on the website in 2016.

The present document aims at providing our clients with more detailed information concerning our procedures to include criteria related to environmental, social and governance qualitative and quantitative objectives pursuant to the Article 173 of the French Energy Transition Law.

Approach to guarantee the inclusion of environmental, social and governance qualitative and quantitative criteria in our investment policy

Our commitment to responsible investment is central to our activities and fully integrated into our policies, processes and outcomes.

We commit to:

- (1) Systematically integrate ESG at all stages of the investment process, through a collaboration between the Investment Team and our dedicated ESG Team, to identify key issues and opportunities of the deals. All findings related to ESG are systematically submitted to our Investment Committee before acquisition decision;
- (2) Avoid determined sectors from our investment strategy: tobacco, weapons and pornography;
- (3) Ensure improvement of ESG performance within our portfolio companies. First with a specific ESG audit after acquisition, alongside with an external consultant. This lays the groundwork for an ESG Post Investment Action Plan based upon a deeper analysis of the due diligence key findings. In addition, during the ownership period, our dedicated reporting tool collects more than 1,800 data points to provide consistent ESG information across our portfolio. This enables our investment managers, portfolio companies and investors to monitor and improve performance at both portfolio and each company level;
- (4) Provide regular and transparent information on ESG to our investors;
- (5) Promote responsible investment principles among our peers.

PAI Partners is always a member of the board of directors and/or supervisory board of our portfolio companies. We participate to boards of directors or supervisory boards, to the strategic meetings, and the general meetings during which we exercise our voting rights.

As a responsible investor, PAI integrates ESG matters at each phase of the investment cycle. We have sought to drive sustainable growth, and our ESG strategy underpins how we invest, manage and realize value.



Content, frequency and means used by PAI Partners to inform subscribers, affiliates, contributors, beneficiaries or clients about the criteria relating to the social, environmental and governance quality objectives taken into account in the investment and, where applicable, risk management policy

Investors can find all PAI's information linked to ESG on the Principles for Responsible Investment (PRI) platform, thanks to our 2017 Transparency Report, freely available for all PRI signatories.

In addition, whenever requested by any investors, PAI enters into ESG-related side letters. Those typically cover the ESG integration in the investment process, monitoring, ESG reporting requirements, etc.

A new reporting policy to investors is currently being drafted by the ESG team, and it will be implemented in June 2019 through the publication of the 2018 PAI Partners' ESG & Sustainability Report.

It will also embed in PAI's quarterly Portfolio Performance Committee (PPC) a reporting on our participations' most material ESG incidents. This reporting will be shared with investors.

Number of portfolio companies covered by ESG plan

As of today, 100% of our invested assets implement an ESG policy.

Subscription to a Charter, a code, an initiative or obtaining a label

We publicly advocate responsible investment and share our experiences with the wider community:

- In 2010, we signed the Principles for Responsible Investment.
- We have since then adopted the European Private Equity and Venture Capital Association (Invest Europe) code of conduct. In addition, we follow Invest Europe's handbook as a member of Invest Europe Affiliate Network, and are a participant of Invest Europe's roundtable on climate change. We are also a signatory to the French PE association (France Invest) charter, and adhere to the Walker Guidelines for Disclosure and Transparency in Private Equity.
- In 2015, we launched the Initiative Carbone 2020 along with four other private equity firms, with the joint mission of managing and reducing greenhouse gas emissions by portfolio companies. In 2018, the (re-named) Initiative Climat 2020 has 22 signatories and PAI Partners is part of the steering committee and presides the workshop on Training and awareness.
- Our ESG Best Practice Honours awarded by SWEN Capital Partners in 2015 is a testament to the way we promote our ESG activities among our employees and throughout our portfolio companies.

When the entity implements a risk management policy, a general description of its internal procedures for identifying risks associated with social, environmental and governance quality criteria and the exposure of its activities to these risks, a general description of these risks

During the screening phase, PAI adopts a negative screening strategy and *de facto* excludes certain sectors from its investment universe. For example, we do not invest in the following sectors: tobacco, pornography, weapons. We also perform a background check of the all-potential acquisitions' top management, and an e-reputation analysis through a web crawler's solution we are currently testing.

Then, the Investment Team works with our dedicated ESG Team to identify key issues and opportunities on every deal reaching Phase II. The ESG indicators selected for each company, and



on which PAI will operate a comprehensive analysis, depends on their materiality – that is, the degree to which they could impact the company’s ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large. This materiality is determined thanks to Investment and ESG Teams’ understanding of the business, with the help of the materiality map developed by the Sustainability Accounting Standard Board (SASB), a license we bought in early 2018. At the end of the due diligence process, an ESG memo, taking into account all risks and opportunities linked to the potential acquisition, is systematically presented to our Investment Committee before it takes a final investment decision.

During ownership, we monitor and assess ESG performance across the portfolio to manage action plans and track key issues identified in the investment process.

First, we conduct a specific ESG audit, alongside an external consultant. This lays the groundwork for an ESG Post Investment Action Plan based upon a deeper analysis of the due diligence key findings. In addition, we conducted in August 2018 a CSR materiality Survey for all of our acquisitions (excluding the ones made after January 2018), according to SASB, DJSI and CDC standards, to dig more into each Participation specificities, and update their ESG action plan. In the future this action plan will be validated by the Participation’s board of directors.

The follow-up of the different points determined ESG-wise company is annually conducted per company through our reporting campaign collecting more than 1,800 data points to provide consistent ESG information across our portfolio.